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Guardian  
Capital Group  
Limited

Annual Report  
1978





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# Financial Highlights

<b>December 31st:</b>	<b>1974</b>	<b>1975</b>	<b>1976</b>	<b>1977</b>	<b>1978</b>
Year-end shares outstanding	1,606,528	1,379,628	1,123,662	1,070,490	1,049,845
<b>Value of Fiduciary Assets Managed</b> (\$ Millions)	151.1	187.5	199.6	226.4	337.1
<b>Value of Company's Owned Assets</b> (\$ Millions)	6.6	6.2	5.3	6.4	7.7
Per share outstanding	\$ 4.10	\$ 4.50	\$ 4.72	\$ 5.98	\$ 7.30
<b>Revenues and Earnings</b>					
Gross revenues	\$1,879,377	\$1,704,897	\$1,790,475	\$1,988,420	\$2,453,551
Operating earnings	711,028	428,936	511,480	482,858	719,108
Net gain (loss) on investments	314,015	(102,472)	45,662	440,492	644,768
Pre tax earnings	1,025,043	326,464	557,142	923,350	1,363,876
Net earnings	601,916	61,446	331,568	681,430	1,219,175
Net earnings per average Guardian share outstanding	\$ 0.37	\$ 0.04	\$ 0.27	\$ 0.61	\$ 1.15

# To the Shareholders

In our annual report last year we listed the three main criteria by which we judge our performance. These were growth in size of fiduciary assets managed; actual and relative results of our management of fiduciary assets; and actual and relative performance of the company's own assets.

By these yardsticks, the year 1978 was a rather good one for Guardian. We could wish that all future years would be as good.

Client assets under management increased by nearly fifty percent from \$226 million to \$337 million.

Client performance in general was absolutely and relatively quite good. In our pension business, total fund results were very competitive because we had a high proportion of assets in the best performing major asset class — Canadian equities; because our world equity fund performed very well; and because we avoided losing money in the long bond market. Our free-to-roam portfolios did absolutely and relatively well, and produced for Guardian significant performance bonuses.

The value of the Company's own assets also increased usefully during the year. They also produced significant net realised gains from the year's transactions.

The Company paid out a dividend at the end of April 1979 of \$0.50 per share. This was the appropriate amount, based on our current dividend formula of sixty percent of fiduciary earnings and forty percent of net realised capital gains, as applied to the results of the year 1978.

At present there is real disagreement about the economic outlook. Some experts look for boom, inflation and higher interest rates, while others, equally serious, anticipate an imminent recession.

We tend to be in the second school of expectation. An equally important consideration however, is that securities, in the current era, are rather volatile. As a matter of practice, therefore, we try to lean against the wind, being buy-oriented when prices of securities are down and many investors are anxious to sell; and being not too faithful to them when prices are up, and investors are anxious to buy.

On behalf of the Board  
Yours sincerely,

Norman Short



**Guardian  
Capital Group  
Limited  
and Subsidiary  
Companies**

**Consolidated  
Balance Sheet**

as at December 31, 1978

**Assets**

	1978	1977
Investments —		
Portfolio investments — at cost	\$4,676,727	\$4,115,824
50% owned company — at equity	235,473	133,194
Cash and short-term deposits	1,023,862	920,099
Receivables	759,320	690,867
Prepaid expenses	58,883	43,587
Fixed assets (Notes 2 and 3)	284,385	364,316
Goodwill — at cost	2,759,736	2,759,736
	<b>\$9,798,386</b>	<b>\$9,027,623</b>

**Liabilities**

Accounts payable and accrued liabilities	\$ 506,030	\$ 260,341
Income taxes —		
Currently payable	129,208	72,625
Deferred	81,700	156,050
Long-term debt (Note 3)	62,096	265,491
	<b>779,034</b>	<b>754,507</b>
Minority shareholder's interest in subsidiary	—	3,943

**Shareholders' Equity**

Capital stock (Notes 4 and 5)		
Authorized —		
2,444,872 shares without par value		
(1977 - 2,517,134 shares)		
Issued and fully paid —		
1,051,400 shares		
(1977 - 1,123,662 shares)	4,887,120	5,223,138
Contributed surplus	624,297	634,480
Retained earnings	3,518,308	2,636,671
	<b>9,029,725</b>	<b>8,494,289</b>
Less: 1,555 shares owned by the Company		
(1977 - 53,172 shares)	10,373	225,116
	<b>9,019,352</b>	<b>8,269,173</b>
	<b>\$9,798,386</b>	<b>\$9,027,623</b>

The accompanying notes are an integral part of this financial statement.

Signed on behalf of the Board  
Norman J. Short, *Director*  
Hunter E. Thompson, *Director*

Guardian  
Capital Group  
Limited  
and Subsidiary  
Companies

Consolidated  
Statement  
of Earnings

for the year ended  
December 31, 1978

	1978	1977
<b>Income</b>		
Basic management fees	\$1,652,155	\$1,385,738
Supplementary management fees	399,777	359,297
Revenue from video tapes	69,412	67,759
Sales charges	14,767	14,324
Interest and dividends	317,440	161,302
	<b>2,453,551</b>	<b>1,988,420</b>
<b>Operating expenses</b>		
Expenses exclusive of undernoted item	1,611,594	1,430,088
Depreciation and amortization	122,849	75,474
	<b>1,734,443</b>	<b>1,505,562</b>
	<b>719,108</b>	<b>482,858</b>
<b>Net gain on investments</b>	<b>644,768</b>	<b>440,492</b>
	<b>1,363,876</b>	<b>923,350</b>
<b>Income taxes</b>		
Current	487,982	248,073
Deferred	(74,350)	63,150
	<b>413,632</b>	<b>311,223</b>
	<b>950,244</b>	<b>612,127</b>
Equity in net earnings of 50% owned company	102,279	69,550
	<b>1,052,523</b>	<b>681,677</b>
Minority interest	—	247
<b>Net earnings before extraordinary item</b>	<b>1,052,523</b>	<b>681,430</b>
<b>Extraordinary item</b>		
Reduction in current year's income taxes upon application of subsidiary's loss carry-forward	166,652	—
<b>Net earnings for the year (Note 6)</b>	<b>\$1,219,175</b>	<b>\$ 681,430</b>

The accompanying notes are an integral part of this financial statement.

Consolidated  
Statement  
of Retained  
Earnings

for the year ended  
December 31, 1978

	1978	1977
<b>Balance — Beginning of year</b>	<b>\$2,636,671</b>	<b>\$2,219,723</b>
Add:		
Net earnings for the year	1,219,175	681,430
	<b>3,855,846</b>	<b>2,901,153</b>
Deduct:		
Tax paid to create undistributed surplus	18,300	39,750
Dividends	319,238	224,732
	<b>337,538</b>	<b>264,482</b>
<b>Balance — End of year</b>	<b>\$3,518,308</b>	<b>\$2,636,671</b>

The accompanying notes are an integral part of this financial statement.



# Consolidated Statement of Changes in Net Assets

for the year ended  
December 31, 1978

	1978	1977
<b>Net assets — Beginning of year</b>	<b>\$8,273,116</b>	<b>\$8,091,037</b>
Increased by —		
Net earnings for the year	1,219,175	681,430
Minority interest in earnings	—	247
	<b>1,219,175</b>	<b>681,677</b>
Decreased by —		
Acquisition of Company's capital stock (Note 4)	131,458	225,116
Tax paid to create undistributed surplus	18,300	39,750
Dividends	319,238	224,732
Acquisition of subsidiary's capital stock from minority interest	3,943	10,000
	<b>472,939</b>	<b>499,598</b>
	<b>746,236</b>	<b>182,079</b>
<b>Net assets — End of year</b>	<b>\$9,019,352</b>	<b>\$8,273,116</b>
Represented by —		
Shareholders' equity	<b>\$9,019,352</b>	<b>\$8,269,173</b>
Minority shareholder's interest in subsidiary	—	3,943
	<b>\$9,019,352</b>	<b>\$8,273,116</b>

The accompanying notes are an integral part of this financial statement.

# Consolidated Statement of Contributed Surplus

for the year ended  
December 31, 1978

	1978	1977
<b>Balance — Beginning of year</b>	<b>\$ 634,480</b>	<b>\$ 603,262</b>
(Loss) gain on cancellation of Company's capital stock acquired from shareholders (Note 4)	(10,183)	31,218
<b>Balance — End of year</b>	<b>\$624,297</b>	<b>\$634,480</b>

The accompanying notes are an integral part of this financial statement.

**Guardian  
Capital Group  
Limited  
and Subsidiary  
Companies**

**Consolidated  
Statement  
of Portfolio  
Investments**

as at December 31, 1978

	1978			1977		
	Number of Shares	Cost	Market Value	Number of Shares	Cost	Market Value
<b>Large companies and funds</b>						
Ashland Oil	—	\$ —	\$ —	3,000	\$ 54,519	\$ 52,500
Home Oil — "B"	—	—	—	8,000	289,918	351,000
International Business Machines	900	292,408	318,219	—	—	—
M.H. International Fund	30,000	336,330	345,482	—	—	—
Pacific Petroleum	2,000	92,108	123,750	—	—	—
Power Corporation — "A"	10,000	172,732	240,000	—	—	—
Sun Electric Corporation	4,000	106,274	106,740	—	—	—
Tyndall-Guardian Commodity Fund	5,272	56,894	69,435	—	—	—
Tyndall-Guardian Eurobond Fund	25,000	278,391	321,406	—	—	—
Tyndall-Guardian Investments Limited — "A"	25,000	227,209	303,913	12,400	99,245	118,335
Tyndall-Guardian Mortgage Fund	—	—	—	9,950	100,000	112,883
<b>Medium sized companies</b>						
Canada Tungsten	—	—	—	5,000	51,745	47,500
Canadian Occidental	20,000	383,307	380,000	6,000	112,549	110,250
Canadian Realty — Units	—	—	—	5,000	37,097	40,000
Dylex — Pfd. "A"	—	—	—	8,800	62,281	70,400
Dynamar Energy	60,000	97,677	88,800	—	—	—
Employee Benefits	2,000	67,396	48,330	—	—	—
Farinon Corporation	50,000	599,203	689,363	103,350	1,238,558	1,116,924
Global Communications — Units	1,000	39,976	40,000	1,000	39,976	39,000
Interway Corporation	—	—	—	5,000	59,447	184,680
I.W.C. Communications	—	—	—	57,100	105,235	99,925
J. Harris & Sons — "A"	10,100	59,978	71,963	—	—	—
Lacana Mining Corp. — Units	—	—	—	10,000	39,500	34,500
Lacana Mining Corp. — Common	18,000	145,895	108,000	—	—	—
Livingston Industries	—	—	—	9,000	148,439	182,250
Magna International — Common	—	—	—	2,000	24,889	35,500
Magna International — "A"	24,375	117,026	390,000	7,000	113,346	140,875
Management Assistance	14,000	130,237	298,872	18,000	144,705	199,454
Montreal Trust	3,000	67,433	58,875	—	—	—
National Medical Enterprises — "A"	10,000	64,817	280,193	10,000	71,299	183,312
Ocelot Industries — "A"	—	—	—	8,800	54,786	134,200
Ocelot Industries — "B"	—	—	—	4,200	25,857	64,050
Pancontinental Mining	16,300	190,140	218,257	7,000	22,066	110,180
Ram Petroleum	8,000	120,140	72,000	—	—	—
Readers' Digest	—	—	—	10,000	121,443	135,000
Revenue Properties	20,300	30,771	29,232	—	—	—
Sundance Oil	17,000	234,963	335,193	6,000	126,259	156,773
Xtra Inc.	—	—	—	5,000	107,201	158,004
Balance carried forward		\$3,911,305	\$4,938,023		\$3,250,360	\$3,877,495



	1978			1977		
	Number of Shares	Cost	Market Value	Number of Shares	Cost	Market Value
Balance brought forward		\$3,911,305	\$4,938,023		\$3,250,360	\$3,877,495
<b>Small companies</b>						
Chancellor Energy (formerly Auric Resources)	68,917	52,925	129,800	299,667	58,557	101,400
Cultus Pacific	300,000	31,998	123,000	315,000	22,957	31,500
Interpublishing	—	—	—	30,000	90,000	90,000
Trinity Resources	90,000	208,644	450,000	135,000	312,963	486,000
<b>Gold</b>						
Certificates — Ounces	1,400	294,739	376,081	1,500	260,553	272,916
<b>Other</b>		177,116	177,116		120,434	120,434
		\$4,676,727	\$6,194,020		\$4,115,824	\$4,979,745

The accompanying notes are an integral part of this financial statement.

## Auditors' Report to the Shareholders of Guardian Capital Group Limited

We have examined the consolidated balance sheet and the consolidated statement of portfolio investments of Guardian Capital Group Limited as at December 31, 1978 and the consolidated statements of earnings, retained earnings, contributed surplus and changes in net assets for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the company as at December 31, 1978 and the results of its operations and the changes in its net assets for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Smith, Nixon & Co.  
Chartered Accountants  
Toronto, March 30, 1979



# Notes to Consolidated Financial Statements

for the year ended  
December 31, 1978

## 1 Summary of significant accounting policies

### (a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries.

### (b) Fixed Assets

The majority of the furniture and equipment is depreciated on the diminishing balance method at the rate of 20% per annum.

Leasehold improvements are amortized on the straight-line basis over the term of the lease.

Revenue-producing video tapes are amortized on a straight-line basis over three years, which is the estimated period during which any significant income from the tapes can be anticipated.

### (c) Goodwill

Goodwill which arose prior to March 31, 1974, does not, in the opinion of management, require amortization at this time.

### (d) Income Taxes

The companies have deferred to future periods the income taxes resulting from claiming deductions for tax purposes in excess of the amounts charged in the accounts.

### (e) Management Fees

The Company and certain subsidiaries provide management and investment advisory services to mutual funds and investors on a contract basis in consideration for management fees.

Under some contracts the companies are entitled to earn supplementary fees if the managed portfolio outperforms certain stock market averages.

The income from fees is recognized in the accounts on a time basis over the periods of the contracts.

### (f) Foreign Exchange

Purchases and sales of foreign investments and income and expenses have been converted to Canadian dollars at the rate of exchange prevailing on the respective dates of such transactions.

## 2 Fixed assets

	1978	1977
Furniture and equipment — at cost	\$232,354	\$195,471
Leasehold improvements — at cost	82,839	72,904
Revenue-producing video tapes — at cost	330,423	330,423
	645,616	598,798
Accumulated depreciation and amortization	361,231	234,482
	\$284,385	\$364,316

## 3 Long-term debt

	Outstanding at December 31	
	1978	1977
(a) Interest free notes payable — secured by revenue-producing video tapes	\$ 62,096	\$130,491
(b) 7½% subordinated convertible debentures of a subsidiary company due and redeemed January 10, 1978	—	135,000
	\$ 62,096	\$265,491

## 4 Capital stock

During 1978, the Company acquired 20,645 of its own shares for \$131,458 cash and also cancelled 72,262 shares, of which 53,172 had been acquired in 1977. Such cancellation, which reduced the number of authorized and issued shares accordingly, gave rise to a loss of \$10,183 which was charged to contributed surplus. The 1,555 shares held at December 31, 1978 have been cancelled subsequent to the year end.

## 5 Share purchase warrants

As at December 31, 1978, 40,416 share purchase warrants were outstanding. Each warrant entitled the holders thereof to purchase one share of the Company at \$8.00 per share on or before December 31, 1983.

In addition, at December 31, 1978, 5,520 share purchase warrants were outstanding in a subsidiary company which entitled the holders thereof to acquire participating preference shares of that subsidiary. It was agreed with the warrant holders that any preference shares so issued would be purchased by the Company or its subsidiary at a price equivalent to the market value (as determined by the Directors) of the shares acquired. The consideration to be paid would, at the option of the Company, be either cash or shares in its own capital stock having an equivalent market value.

## 6 Earnings per share

	Basic		Fully Diluted	
	1978	1977	1978	1977
Net earnings before extraordinary item	\$ .99	\$ .61	\$ .92	\$ .58
Extraordinary item	.16	—	.14	—
Net earnings for the year	\$1.15	\$ .61	\$1.06	\$ .58

The earnings per share calculations are based on the weighted average number of shares outstanding during the year. Fully diluted earnings per share have been calculated on the assumption that the share purchase warrants are exercised and capital stock of the Company is issued, as in Note 5, and the proceeds invested at the same rates of return after taxes as those earned on actual shareholders' equity, 13.5% in 1978 and 8.2% in 1977, resulting in imputed earnings of \$141,205 in 1978 and \$80,914 in 1977.

## 7 Long-term lease commitment

The minimum annual rental under a lease agreement which terminates on August 31, 1982 is approximately \$57,000.

## 8 Losses available for income tax purposes

A subsidiary has net capital losses of \$270,000 which can be carried forward indefinitely and applied against taxable capital gains.

## 9 Statutory information

The aggregate remuneration of directors and senior officers for the year ended December 31, 1978 was \$598,840 (1977 - \$410,028).

## 10 Comparative figures

Certain comparative figures have been reclassified in order to conform with the current year's presentation. Net earnings have not been affected by such reclassification.







# Guardian Capital Group Limited

48 Yonge Street, Toronto, Ontario M5E 1H3

**Officers and Directors**

James F. Cole, *Director*

A. George Dragone, *Director*

William Filipiuk, *Director*

Paul B. Helliwell, *Director*

Robert L. Miller, *Director*

Gurston Rosenfeld, *Vice President & Director*

Norman J. Short, *President & Director*

Hunter E. Thompson, *Vice President & Director*

Roger D. Wilson, *Director*

C. Verner Christensen, *Secretary-Treasurer*

Elinor Crighton, *Assistant Secretary*

**Registrar and Transfer Agent**

The Canada Trust Company

110 Yonge Street, Toronto, Ontario

**Banker and Custodian of Securities**

The Canadian Imperial Bank of Commerce

7 King Street East, Toronto, Ontario

**Auditors**

Smith, Nixon & Co.

372 Bay Street, Toronto, Ontario

**Legal Counsel**

Day, Wilson, Campbell

250 University Avenue, Toronto, Ontario